

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 NEA-11 ISO-00 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-10 IO-13 NSAE-00

ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01

AGRE-00 OMB-01 SS-15 STR-07 XMB-02 /120 W

-----008911 031646Z /72

P 031612Z MAY 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 6366

INFO AMEMBASSY PARIS PRIORITY

AMEMBASSY BONN

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L BRUSSELS 08604

PARIS ALSO FOR USOECD-FOR MICHAEL ADLER; ALSO FOR USEC

E.O. 11652: GDS

TAGS: EFIN, PK, BE

SUBJECT: PAKISTAN REQUEST FOR DEBT RENEGOTIATION

REF: STATE 109392

1. WE HAVE CONVEYED THE U.S. POSITION TO THE BELGIAN MINISTRIES OF FINANCE AND FOREIGN AFFAIRS. ON MAY 3, AN EMBASSY OFFICER DISCUSSED THIS SUBJECT WITH MR. J.BAUDAUX OF THE FINANCE MINISTRY (TREASURY).

2. BAUDAUX WILL REPRESENT THE GOB AT THE NEPAL/SRI LANKA CONSULTATIVE GROUP MEETINGS AND THE INFORMAL DISCUSSION
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OF PAKISTAN. HE EXPRESSED GENERAL UNDERSTANDING OF THE U.S. POSITION AS A DELAYING TACTIC, BUT SAID THAT BELGIUM WOULD HAVE TAKEN A TOUGHER STAND. THE GOB SERIOUSLY DOUBTS THAT PAKISTAN NEEDS OR IS ENTITLED TO RESCHEDULING OF PRIVATE DEBT HE SAID (ADDING THAT MUCH OF PAKISTAN'S PUBLIC SECTOR DEBT--AT LEAST TO BELGIUM--WILL BE ADJUSTED ANYWAY AS PART OF GENERAL UNCTAD DECISIONS ON LDC DEBT).

THE BELGIAN VIEW IS THAT PAKISTAN HAS MADE AND REMADE ITS FINANCIAL BED AND SHOULD NOW BE OBLIGED TO LIE IN IT. RESCHEDULING IN CURRENT CIRCUMSTANCES WOULD PROVIDE AN EASY WAY OUT OF DIFFICULTIES BROUGHT ON MAINLY BY MISGUIDED ECONOMIC POLICIES--AND WOULD ENCOURAGE THE GOP TO CONTINUE TRYING FOR TERMS SIMILAR TO WHAT INDIA ACHIEVED IN THE PAST. MOREOVER, AS IT IS BEING APPROACHED IN THE CONSORTIUM RATHER THAN PARIS CLUB CONTEXT, ANOTHER ROUND OF PAKISTAN DEBT RESCHEDULING WOULD SHARPEN STILL MORE THE DISPARITY OF TREATMENT ACCORDED PAKISTAN COMPARED TO THAT GIVEN OTHER AND POORER COUNTRIES--NAMELY ZAIRE, A COUNTRY OF SPECIAL IMPORTANCE TO BELGIUM.

3. BAUDAUX ALSO MENTIONED THAT PRIVATE, GUARANTEED BELGIAN DEBT IN PAKISTAN REPRESENTS ONLY BF 65 MILLION A YEAR. HE THUS RECOGNIZES THAT BELGIUM'S VOICE WILL NOT COUNT FOR MUCH IN THESE DELIBERATIONS AND SAID THAT THE GOB WOULD HAVE TO PARTICIPATE, ALBEIT RELUCTANTLY, IF AN EVENTUAL DECISION IS TAKEN TO MEET THE PAKISTAN REQUEST. OLSEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBTS, FOREIGN POLICY POSITION, NEGOTIATIONS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE08604
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780188-1025
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780599/aaaadgnf.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a92db2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 109392
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2809911
Secure: OPEN
Status: NATIVE
Subject: PAKISTAN REQUEST FOR DEBT RENEGOTIATION
TAGS: EFIN, PK, BE, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/a92db2a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014